

Analysis of Target Land and Building Tax Revenue Realization in Pekanbaru

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Abstract:- This research aims to find out the realization achievement target of revenue of the land and building tax Pekanbaru city. The research was conducted in the Regional Development Planning Board Office of Pekanbaru city which was selected as the research location intentionally. This research employed a descriptive method and qualitative analysis. 100 respondents were selected using the accidental sampling method with the solvin formula. The sample was chosen based on a consideration that they can give maximum data as well as to develop following the problem useful in conclusion. Data were collected using interviews and documentation techniques. The data used were primary and secondary data. Based on the results of research, it was known that the realization of achievement revenue land and city building tax Pekanbaru city in the year of 2009-2016 had not been able to achieve the target that had been set. According to the result of this study, factors that affect the achievement of the target of land and building tax revenue was low public awareness in paying the land and building tax. Moreover, tax officers who were not regularly logging taxpayer also played a role. Factors that affect the achievement of the target of land and building tax revenue were means and tools of appropriate payment procedures that enable the land and building tax payment process easier.

Keywords:- Realization of Local Taxes, target and realization of land and building tax, land and building tax.

I. INTRODUCTION

Tax is the main source of state revenue which enables the national development to rely on its capabilities. Participation from all components of the nation is very necessary to ensure the continuity of national development. One type of tax that contributes figures in the Indonesian Budget is the land and building tax. Soemarsono (2007:612) states that "Land and Building Tax (L&B Tax) is an indirect tax imposed on objects in the form of immovable property called land and buildings." Land and Building Tax is under the authority of local governments which have to be paid by the individual taxpayers and corporate taxpayers once a year.

Pekanbaru is one of the cities as well as the capital of Riau Province which requires a lot of funds to be able to carry out its development in all sectors. This development has consequences for the government to be able to explore

various potential revenues, especially from the tax sector. During the last 3 years from 2014 to 2017, the area of land and buildings in Pekanbaru that is subject to tax continues to increase. The increase in the area of the land and buildings was due to data updates. The existence of land that was not originally the object of the L&B Tax and the area of the building increased due to the construction of houses and housing complexes in Pekanbaru.

Based on the background described above, the followings are the formulation of the research question in this study: (1) What factors are the cause of not achieving the Land and Building Tax realization? (2) What are the internal factors that have led to the failure in achieving the targets for the realization of land and building tax in Pekanbaru?

Meanwhile, the objectives of this study are to find out the cause of not achieving the realization of land and building tax and to find out internal factors that have caused the failure in achieving the target of realization of local tax revenues in Pekanbaru.

II. THEORETICAL REVIEW

A. Local Tax

Under Law No. 28 of 2009 concerning Local taxes, local taxes are mandatory contributions to regions owned by individuals or entities that are coercive based on the law, with no direct compensation and are used for regional purposes for the greatest prosperity of the people. Thus, the local tax is the taxpayers' contribution to the region to finance regional development. According to P. J. A. Andriani in Waluyo (2011), local taxes are mandatory contributions made by individuals or entities to the region without balanced direct benefits. Local taxes are imposed based on applicable laws and regulations and used to finance local government operations as well as regional development.

B. Definition of Tax

Tax is people's contributions to the State Treasury to finance routine expenditures and its surplus is used for public saving which is the main source to finance public investment. The followings are the tax elements: (1) Tax is levy based on law. (2) Tax cannot get reciprocal services (personal contra) which can be shown directly. For example, some people are obedient to pay motor vehicle tax to the state will be able to go through roads that have the same

quality as those who are disobedient in paying the motor vehicle tax. (3) Tax collection is intended for general government financing needs in the context of carrying out government functions, both routine, and development. (4) Tax collection can be forced. (5) Tax function as budgeter, the function of filling the state treasury/state budget needed to cover the financing of government operations.

C. Definition of Land and Building Tax

Land and Building Tax is a levy on land and/or buildings. Naturally, the objects of land and building tax are land and/or buildings. According to Waluyo (2011:201), "the land is the surface of the earth and the body of the earth beneath it. Meanwhile, the building is a technical construction that is planted or placed permanently on the ground and/or waters."

The buildings can also be defined as (1) an environmental road located within a building complex such as a hotel, factory, and its emplacement, an integral part of the building complex; (2) highway; (3) swimming pool; (4) luxury fences; (5) sports venues; (6) shipyard and dock; (7) luxurious park; (8) oil storage/ refineries, oil, water, and gas pipes; (9) other facilities that provide benefits such as towers.

D. Tax Objects

Tax objects that are not subject to the Rural and Urban Land and Building Tax are the following tax objects:

- Used by governments and Regions for governance;
- Used solely to serve the public interest in the fields of worship, social, health, education, and national culture, which are not intended for profit;
- Used for graves, relics of antiquity, or something similar;
- Protected forest, nature reserve forest, tourism forest, national park, grazing land controlled by the city, and state land that has not been encumbered by a right;
- Used by diplomatic representatives and consultants based on the principle of reciprocity;
- Used by agencies or representatives of international institutions established by Regulation of the Minister of Finance.
- Several factors determine the basis for establishing the tax object sales value of the land are (1) location, (2) utilization, (3) allotment, and (4) environmental conditions. As for several factors that determine the basis of tax object sales value of the building are (1) materials used in buildings, (2) engineering, (3) location, and (4) environmental conditions.

E. Tax Collection Procedure

The procedure for collecting land and building tax is as follows:

- The tax object registration stage by filling in the Tax Object Notification Letter that is received, correctly,

completely, and on time and is signed to the Neighbourhood/Community Association.

- Filling out the Tax Object Notification Letter stage by continuing to the urban village head, then given to the sub-district for inspection and then forwarded to the Regional Revenue Service office no later than 30 days after receipt of Tax Object Notification Letter.
- Submission of Tax Returns Stage which is subsequently issued by the Notification of Tax Due based on the data contained in the Tax Object Notification Letter and given to taxpayers.
- Land and Building Tax Payment stage, that is, taxpayers can pay L&B Tax to places that have been indicated by the government such as a bank. For remote area, there is an officer for collecting L&B Tax

F. Tax Principle of Tax Collection

There are 4 principles of tax collection according to Adam Smith namely: (1) Equality principle (the principle of balance with the ability or principle of justice). (2) Certainty principle (principle of legal certainty). (3) The convenience of the Payment Principle (the principle of timely tax collection or the principle of pleasure). (4) Efficiency Principle (economic principle).

G. Tax Object Exceptions

The Tax Object Exceptions are as follows:

- Used solely to serve the public interest and not for profit;
- Used for graves, relics of antiquity, or the like;
- A protected forest, asylum forest, tourist forest, national park, grazing land controlled by villages, and state land that has not been encumbered with a right;
- Used by diplomatic representatives consulates based on the principle of reciprocity;
- Used by agencies or representatives of international organizations determined by the Minister of Finance.

H. Theory of Tax Evasion and Tax Avoidance

Mardiasmo (2011) defines tax evasion as an effort made by taxpayers to ease the tax burden by breaking the law. Meanwhile, Tax avoidance is an effort to avoid or save taxes that are still in the framework of meeting the provisions of the law (lawful fashion).

I. Tax Objects

The tax object is divided into two which are general tax objects and special tax objects. General tax objects are divided into standard tax objects and nonstandard tax objects.

J. Achievement Level of Realization of Land and Building Tax Revenue

Number of taxpayers and L&B Tax assessments per district.

No	District	Number of Tax Objects	Numbers of the L&B Tax (rupiah)
1	Bukit Raya	30390	6,571,329,960
2	Lima Puluh	9197	4,494,683,306
3	Marpoyan	40901	11,711,613,317
4	Payung Sekaki	37924	9,610,348,428
5	Pekanbaru Kota	6593	6,325,740,659
6	Rumbai	18090	3,060,110,109
7	Rumbai Pesisir	17805	2,063,914,424
8	Sail	4142	1,791,389,882
9	Senapelan	7687	4,054,034,932
10	Sukajadi	8197	3,398,208,786
11	Tampan	72675	12,204,642,926
12	Tenayan Raya	49770	4,157,516,424
Total		303,371	69,443,533,153

Table 1:- Number of taxpayers and L&B Tax assessments per district in Pekanbaru in 2016

Source: Data Processed by Regional Development Planning Board of Pekanbaru

III. RESEARCH METHOD

This study was conducted in Pekanbaru using the descriptive qualitative method for analyzing the data. The data were obtained through observation, interviews, and documentation techniques. The sample was determined using the Solvin formula as follows:

$$n = \frac{N}{1 + Ne^2}$$

Description:

n: sample size

N: population size

e: percentage instability due to sampling that can still be tolerated or desired

The population of the study was 285,689 people. To save costs, energy, and time in this large population size, the researchers took a sample with an error level of 10% of the population. Out of the 285,689 people, the sample was determined as follows:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{285.689}{1 + 285.689(0,10)^2}$$

$$n = \frac{285.689}{286,689}$$

$$n = 996.5119 = 100 \text{ people}$$

Thus, it can be said that the total sample involved in this study was 100 taxpayers.

IV. FINDINGS AND DISCUSSION

A. Number of Respondents by Group and Land & Building Tax Imposition Base

The results of the interviews conducted in 2018 were data presented in the table below:

No	Group	Number of Respondents	L&B Tax Imposition Base (Rp)
1	I	72	0 – 100,000
2	II	22	101,000 – 500,000
3	III	3	500,001 – 2,000,000
4	IV	2	2,000,001 – 5,000,000
5	V	1	5,000,001 – 99999999

Table 2:- Number of Respondents by Group and L&B Tax Imposition Base

Source: Primary data, processed (2018)

Based on the table above, the results of survey research used the following formula:

$$\frac{\text{Number of respondents}}{\text{Total Group}} \times \text{total number of respondents}$$

B. Characteristics of Respondents

Male respondents were greater (68 people or 68%) compared to women (32 people or 32%) for more men understand the obligation to pay the land and building tax.

The educational background of the respondents can describe how as a taxpayer the greater the guidance to get good service and the more critical in assessing the quality of service it receives. The educational background of the respondents was varied ranging from elementary schools to tertiary institutions. Respondents with an elementary education level were 7 people or 7%. Respondents with a junior high school level were 10 people or 10%. Respondents with a high school level were 46 people or 46%. Respondents with a diploma education level were 9

people or 9%. Respondents with a bachelor education level as many as 28 people or 28%.

The age level of respondents described how the adult age group tends to pay more attention to the quality of work done or the quality of work received from others. The highest age of respondents was 5q-70 years old, as many as 46 people or 46%, followed by respondents aged 41-50, as many as 22 people or 22%. Then, respondents aged 31-40 were as many as 18 people o 18% followed by respondents aged between 21-30, as many as 14 people or 14%.

C. Characteristics of Tax Problems

The number of difficulty levels in paying L&B Tax which amounted to greater was the difficulty of 52 people or 52% and the absence of difficulties by 48 people or 48%. The payment process caused the queue to be very long and the bank officers at the Regional Development Planning Board. Thus, it makes taxpayers faced difficulties in waiting for the tax payment queue number.

The procedural problem is that some taxpayers are indeed waiting for the Notification of Tax Due to being given to each taxpayer and a very drastic increase in total tax payments. The number of respondents who had problems in the procedure was 23 people or 23%. Those who did not have the procedure problems were 54 people or 54% while those who did not know were 23 people or 23% for some taxpayers only left proof of payment.

The number of respondents with a married status was 87 people or 87% while the rest (13 people or 13%) respondents were still single. The most diligent respondents who took care of the obligation to pay taxes were married respondents who were already able to think critically. The number of respondents who were punctual in paying was 53 people or 53% and the rest were unpunctual in paying the tax (47 people or 47%). Those who paid the tax, not on time were caused by their busyness.

It can be seen that most of the service level of officers was very good according to 68 people or 68% of the respondents, while the rest, 8 people or 8% of them considered the service as bad and 24 of them not sure or give no information. Most of those who said do not sure about the services were afraid to reveal. Those who said the service was not good for the lack of friendliness of the tax offices to the taxpayers. 85 people or 85% of the respondents considered the tax payment rate was meet the standard while the rest, 15%, stated the non-conformance of the rate for they have to pay the additional administration fee.

D. Forms and Methods of L&B Tax Payments

The form of L&B tax payment through a teller of Riau Bank and BNI Bank can also be carried out using an Automatic Teller Machine (ATM), Mobile Banking, Internet Banking, or other bank facilities. L&B tax payment in Pekanbaru was done on an individual basis where there were two payment methods, namely online and offline methods.

No	Year	Group I	Group II	Group III	Group IV	Group V	Total
1	2010	145,167	58,225	8,293	2,895	1,239	215,819
2	2011	155,269	70,207	10,986	3,865	1,660	241,987
3	2012	169,037	72,237	10,553	3,839	1,687	257,353
4	2013	180,925	76,052	10,672	3,877	1,689	273,224
5	2014	190,202	79,101	10,791	3,955	1,704	285,753
6	2015	195,448	76,753	10,471	8,586	3,709	294,967
7	2016	193,175	73,415	9,837	7,060	2,949	286,436
8	2017	174,207	53,755	6,813	4,409	1,712	240,896
9	2018	178,572	53,611	6,736	4,379	1,709	245,007

Table 3:- Land and Building Group

Source: Data from Regional Development Planning Board of Pekanbaru in 2018

E. Discussion

➤ Target and Realization of Land and Building Tax in Pekanbaru

Year	Target	Realization	(%)
2009	35,472,602,903	24,459,153,534	68.9
2010	38,338,295,203	30,614,821,549	79.85
2011	33,987,789,921	36,614,821,549	106.34
2012	38,500,000,000	41,047,966,395	106.618
2013	42,025,371,685	38,348,010,031	91.25
2014	51,746,624,037	41,999,306,880	81.16
2015	127,390,009,150	58,234,415,203	45.71
2016	104,212,342,760	60,446,308,650	58.00
2017	104,212,342,806	60,868,387,186	58.41

Table 4:- Achievement Target of Realization of Land and Building Tax Revenue in Pekanbaru

Source: Regional Development Planning Board in 2017

From the table above, almost every year the land and building tax receipts at the Pekanbaru Office for Regional Revenue had not been able to reach the targets that had been set. In 2011 and 2012, the realization achieved even exceeded the target that should have been achieved in 2011. In 2017, the target was still the same as in 2016. However, the realization was only slightly up from the realization obtained in 2016.

➤ *Factors Causing the Unrealized Land and Building Tax Target*

Knowledge about tax by taxpayers was a variable that became a significant factor in the target and realization of land and building tax revenue. The factors of not achieving the realization of land and building tax were as follows. (1) Even though the Government has changed the payment system to be easier, there was still no Notification of Tax Due being delivered to the taxpayers' house while the tax officer had given Notification of Tax Due to every sub-district in Pekanbaru. (2) Taxpayers forgot to pay the L&B Tax due to business factors. (3) There were indifference and low awareness of taxpayers in paying the L&B Tax. (4) The level of taxpayer knowledge about the importance of paying the L&B Tax and the methods had been applied to facilitate the payment of the L&B Tax was low.

➤ *Internal Factors Causing the Target of Realization of Land and Building Tax has not been Achieved*

Internal factors that cause the realization of the land and building tax realization have not been achieved were as follows. (1) Means and equipment procedures were easy but not optimal. (2) Data collection was not done periodically which enable the data collected did not meet the reality.

V. CONCLUSION AND SUGGESTIONS

A. Conclusion

- The reason for not achieving the L&B Tax realization that there were still taxpayers who already understood the procedure but were reluctant to come to pay L&B Tax. Some taxpayers did not understand what the L&B Tax is, why they are obliged to pay it, and how much they should pay. These made them reluctant to pay the tax, even though the land and building tax has been around since the Dutch era and have to be paid annually.
- Internal factors that have not been achieved from the L&B Tax realization target were the use of facilities and equipment procedures that were still not optimal. The data collection that was not carried out periodically or continuously causing the data might not be by the real conditions. Suggestions

B. Suggestions

- Information in the form of counseling evenly in each village needs to be provided more intensely about the importance of paying the L&B Tax. A better sanction has to be provided to give a deterrent effect which makes all taxpayers pay the L&B Tax regularly.
- Data collection activities should be carried out routinely. Thus, if there is a change in the name and

residence of the taxpayer that is not recorded in its entirety by the Regional Development Planning Board can be identified more quickly.

- Facilities and equipment procedures that are not optimal are required to be improved. Moreover, the awareness of tax officials and taxpayers need to be increased to be more swiftly carrying out their duties

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